

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
(A Component Unit of Housing Authority of the City of Slidell)**

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/29/11

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Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of the Town of Pearl River
Pearl River, Louisiana

We have audited the accompanying statement of net deficit-enterprise fund of **Housing Authority of the Town of Pearl River (HATPR)**, a component unit of Housing Authority of the City of Slidell, and the related statements of revenues, expenses and changes in fund net deficit and cash flows-enterprise fund as of and for the eleven months ended November 30, 2010. These financial statements are the responsibility of **HATPR's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as further discussed in the next paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **HATPR's** internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Commissioners
Housing Authority of the Town of Pearl River
Pearl River, Louisiana
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The November 30, 2010 general ledger reflects incomplete amounts for interfund activities and expenses. Because of the limitation resulting from the status of the general ledger amounts recorded for interfund activities, and expenses, management was unable to provide us with complete information to support the accompanying financial statements and related disclosures.

As such, we are unable to apply auditing procedures necessary to satisfy ourselves about the classification and completeness of expenses, and interprogram activities comprising the statements of net deficit as of November 30, 2010 and results of operations and cashflows for the eleven months ended November 30, 2010.

In our opinion, except for our inability to satisfy ourselves as to the classification and completeness of interprogram activities, and expenses comprising the statements of net deficit, revenues and expenses, and cash flows, the financial statements referred to above present fairly, in all material respects, the financial position of **HATPR** as of November 30, 2010, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2011, on our consideration of **HATPR's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Commissioners
Housing Authority of the Town of Pearl River
Pearl River, Louisiana
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The management's discussion and analysis on pages 4 through 9 is not a required part of the accompanying financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

April 28, 2011

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Introduction to Financial Statements

HATPR complied with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB 34)*, effective with the year ended December 31, 2004. The following represents a discussion and analysis of **HATPR's** financial activities for the eleven months ended November 30, 2010. Effective December 1, 2010, the activities of **HATPR** has been merged with the Housing Authority of the City of Slidell's Voucher Program. As such, the financial statements reflect eleven months activity in 2010.

Management believes that GASB 34 financial statements provide useful information because these statements show not only the short-term results of operations but also the long-term financial picture.

In GASB 34 terms, **HATPR** has only one fund, the Enterprise Fund, and engages in only one type of activity. A Statement of Net Deficit and Statement of Revenues, Expenses and Changes in Fund Net Deficit shown on pages 10 and 11, show the results of operations and financial position using the *total economic resources* measurement focus and the *accrual basis* of accounting, which emphasize the long-term financial picture and are very similar to the financial statements of private sector for profit enterprises.

FINANCIAL HIGHLIGHTS

- **HATPR's** liabilities exceeded its assets by \$32,285 at November 30, 2010.
 - Of this amount \$(45,230) for 2010 represented unrestricted deficit.
 - Restricted net assets was \$12,945 at November 30, 2010.
- ▶ **HATPR's** only source of revenue is a grant from the federal government which constitutes 100% of 2010's revenue.
- ▶ **HATPR's** significant operating expenses for the eleven months ended November 30, 2010, were salaries and related benefits, consulting services, and housing assistance payments to landlords participating in its Housing Choice Voucher Program.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

Using this Annual Report

HATPR's annual report consists of financial statements that show information about HATPR's only fund; Housing Choice Voucher Program. HATPR's auditors provided assurance in their independent auditors' report, located immediately preceding the Management's Discussion and Analysis. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Overview and Highlights of Financial Statements

The financial statements of HATPR comprise of the Statement of Net Deficit, (shows assets and liabilities) and Statement of Revenues and Expenses and Changes in Fund Net Deficit which uses the full accrual basis of accounting with revenues recognized when earned and expenses when incurred, regardless of the timing in the receipt or the disbursement. The notes to the financial statements provide additional information that is essential to a full understanding of the financial data provided in the financial statements. The measurement focus is the total economic resources of HATPR.

Reporting on HATPR as a Whole

One of the most important questions asked about HATPR's finances, "Is HATPR as a whole better off, or worse off, as a result of the achievements of fiscal year 2010?" The Statement of Net Deficit and the Statement of Revenues, Expenses, and Changes in Fund Net Deficit report information about HATPR as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis* of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received.

Fund Financial Statements

HATPR's only fund is reported as a proprietary fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

Fund Financial Statements, Continued

HATPR, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Section 8 Housing Assistance - Housing Choice Voucher Program - The Housing Choice Voucher Program assists low income families with their rental payments in the private market. A housing assistance payment is paid directly to landlords on behalf of the families in the program. The families pay the difference between the rent charged by the landlord and the housing assistance payment provided by the program. HATPR is paid by HUD to administer the program.

Financial Analysis

Net deficit at November 30, 2010 consisted of \$45,230 and \$12,945 in unrestricted deficit and restricted net assets, respectively.

The following provides condensed information from the Statement of Net Deficit as of November 30, 2010:

**Condensed Statement of Net Deficit
November 30**

	<u>2010</u>
Other assets	\$ <u>2,917</u>
Total assets	<u>2,917</u>
Liabilities	<u>35,202</u>
Total liabilities	<u>35,202</u>
Net deficit	\$ <u>(32,285)</u>

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Financial Analysis, Continued

HATPR's liabilities exceeds assets by \$32,285 at November 30, 2010. Unrestricted net assets was \$12,945 and unrestricted deficit of (\$45,230), respectively at November 30, 2010.

The following provides condensed information from the Statement of Revenues, Expenses and Changes in Fund Net Deficit for the eleven months ended November 30, 2010.

Condensed Statement of Revenues, Expenses and Changes in Fund Net Deficit
For the Eleven Months Ended November 30

	<u>2010</u>
Operating revenues	\$ <u>-0-</u>
Operating expenses	<u>511,730</u>
Operating loss	(511,730)
Non-operating revenues	<u>479,718</u>
Change in net assets	(32,012)
Net assets, beginning of year, restated	<u>(273)</u>
Net deficit, end of year	\$ <u>(32,285)</u>

HATPR receives one hundred (100) percent of its revenues in the form of grants from the Department of Housing and Urban Development (HUD).

Its major expenses included housing assistance payments to landlords participating in its housing program, salaries, and related benefits and consulting services.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

Explanations of Financial Analysis

As of November 30, 2010 other assets represent an amount due from HUD in the amount of \$2,917. Liabilities results from advances from the managing entity.

The major categories of expenses were salaries and related benefits (4%), contractual services (4%) and payments to landlord (91%).

Capital Assets

HATPR had no capital assets at November 30, 2010.

Debt

HATPR has not incurred any mortgages or bond indentures for financial capital assets or operations.

Economic Factors an Next Year's Budget Rates

HATPR is primarily dependent upon HUD for the funding of operations; therefore HATPR is affected more by Federal Budget than by local income conditions. The operating budget for the 2011 fiscal year has already been submitted to and approved by HUD.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

Requests for Information

This financial report is designed to provide a general overview of **HATPR's** finances for all those with an interest in **HATPR's** finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Housing Authority of the City of Slidell, P.O. Box 1392, Slidell, LA 70459-1392.

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
STATEMENT OF NET DEFICIT--ENTERPRISE FUND
NOVEMBER 30, 2010

ASSETS

Grant receivable (NOTE 9)	\$ <u>2,917</u>
Total assets	<u>2,917</u>

LIABILITIES

Liabilities:

Advances, net (NOTE 2)	33,602
Compensated absences payable (NOTE 7)	<u>1,600</u>
Total liabilities	<u>35,202</u>

NET DEFICIT

Restricted net assets (NOTE 3)	12,945
Unrestricted deficit	<u>(45,230)</u>
Total net deficit	<u>\$(32,285)</u>

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET DEFICIT--ENTERPRISE FUND
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010

Operating Revenues:	
Operating revenues	\$ <u>-0-</u>
Total operating revenues	<u>-0-</u>
Operating Expenses:	
Salaries and related employee benefits	20,134
Contractual services	19,894
Housing assistance payments	463,659
Convention and travel	1,462
Telephone	977
Supplies	590
Utilities	462
Insurance	1,953
Administrative fee for portability	1,806
Postage	557
Dues and subscriptions	208
General	<u>28</u>
Total operating expenses	<u>511,730</u>
Operating loss	<u>(511,730)</u>
Non-operating Revenues:	
Grants and subsidies	<u>479,718</u>
Total non-operating revenues	<u>479,718</u>
Change in net deficit	(32,012)
Net deficit, beginning of year, as restated	<u>(273)</u>
Net deficit, end of year	\$ <u>(32,285)</u>

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
STATEMENT OF CASH FLOWS--ENTERPRISE FUND
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010

Cash Flows from Operating Activities:

Receipt of advances	\$ 34,929
Payments to suppliers	(27,937)
Payments to employees	(20,134)
Payments to landlords	<u>(463,659)</u>

Net cash used by operating activities (476,801)

Cash Flows from Noncapital Financing Activities:

Subsidy from federal grants	<u>476,801</u>
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Cash provided by noncapital financing activities 476,801

Net increase (decrease) in cash -0-

Cash, beginning of year -0-

Cash, end of year \$ -0-

Reconciliation of Operating Loss to Net Cash Used
by Operating Activities:

Operating loss	\$ (511,730)
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Changes in assets and liabilities:

Increase in amounts receivable	(2,917)
Increase in advances, net	<u>37,846</u>

Net cash used by operating activities \$(476,801)

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General:

The **Housing Authority of the Town of Pearl River (HATPR)** in an agreement dated April 14, 1999, engaged Housing Authority of the City of Slidell (the Authority) to provide administrative services related to the Housing Choice Voucher Program in the unincorporated areas within any municipality for the benefit of the Town of Pearl River. The Board and Executive Director of the Authority are responsible for all activities of **HATPR**. **HATPR** has the power to sue and be sued, and make rules and regulations for its own government consistent with the laws of the State of Louisiana and the Town of Pearl River. The agreement between the Authority and the Town of Pearl River terminated on March 31, 2000.

Those administrative services include any and all administrative services necessary to operate the Housing Choice Voucher Program, including but not limited to, the administration of all vouchers associated with its housing program, all budgetary matters, and the preparation of all reports. Under the Housing Choice Voucher Program, **HATPR** provides funds in the form of rental subsidies to owners on behalf of tenants.

HUD approved effective December 1, 2010, the absorption of the Pearl River Voucher Program with the Authority's.

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Financial Reporting Entity:

Government Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" established standards for defining and reporting on the financial entity. GASB 14 and as amended by GASB 39 indicates that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate; and c) is fiscally independent of other state and local governments.

HATPR is managed by the Authority. Accordingly, **HATPR** is a component unit of the Authority's financial reporting entity. Also, **HATPR** has no component units for financial reporting purposes.

Basis of Presentation

As required by Louisiana State Reporting Law (LRS-R.S. 24:514) and HUD regulations, **HATPR's** financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

The accounts of **HATPR** are accounted for under the proprietary fund. Accordingly, the accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applied to governmental units.

Proprietary Fund Type - Proprietary fund is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses at the time liabilities are incurred. **HATPR** applies all applicable Financial Accounting Standards Board pronouncements issued before November 30, 1989 in accounting and reporting for its proprietary operations.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Basis of Presentation, Continued

HATPR's fund includes the following type:

Enterprise Fund - Enterprise fund is used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Pursuant to GASB 33 (Accounting and Financial Reporting for Non-Exchange Transactions), **HATPR** recognizes assets, liabilities, revenues and expenses under its government mandated and voluntary non-exchange transactions as follows:

- **HATPR** recognizes assets and liabilities when all applicable eligibility requirements are met or resources received, whichever is first;
- Revenues and expenses are recognized when all applicable eligibility requirements are met;
- Transactions with no time requirement(s) are recorded by **HATPR** as revenues upon award; and
- Transactions with time requirements received prior to the satisfaction of the time requirement(s) are recorded by **HATPR** as deferred revenues upon award.

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

**Measurement Focus and Basis of Accounting
and Financial Statement Presentation**

HATPR adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*" effective January 1, 2004. Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses and changes in fund net assets, and a statement of cash flows. It requires the classification of net assets into three components-invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Measurement Focus and Basis of Accounting
and Financial Statement Presentation, Continued

The term measurement focus is used to denote what is being measured and reported in HATPR's operating statement. HATPR's financial activities are accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether HATPR is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on HATPR's operating statement. HATPR used the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Interprogram Activities:

All interprogram transactions, except quasi external transactions, advances and reimbursements are reported as transfers. Nonrecurring and permanent transfers of equity are reported as residual equity transfer. All other interprogram transfers are reported as operating transfers and recognized at the time the underlying event occurs. Interprogram due from and to are netted at the financial statement level.

Compensated Absences:

HATPR follows Louisiana Civil Service regulations for accumulated annual sick leave. Under those regulations, employees may accumulate up to three hundred (300) hours of annual leave which may be received upon separation or retirement. Sick leave hours accumulate, but the employee is not paid for sick leave hours if not used by his/her retirement or separation date.

The cost of current leave privileges computed in accordance with GASB Codification Section C60, is recognized as a current year expense in the enterprise fund when leave is earned.

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Budgets:

HATPR prepares an annual budget for its proprietary fund. Prior to the beginning of the fiscal year, the annual budget is approved by the Board of Commissioners. Budgetary amendments require approval by the Board.

HATPR does not present its budget to actual comparison for the enterprise fund as part of its financial statements as accounting principles generally accepted in the United States of America do not require such, despite adoption of an annual budget by HATPR's Board of Commissioners.

Statement of Cash Flows:

For the purposes of the statement of cash flows, HATPR considers all highly liquid investments with original maturity of ninety (90) days or less when purchased to be cash and temporary cash investments. At November 30, 2010, HATPR had no temporary cash investments.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - ADVANCES, NET:

At November 30, 2010, \$33,602 represents the net of advances, due to and from the Authority.

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - RESTRICTED NET ASSETS:

Restricted net assets at November 30, 2010 was \$12,945. The restricted net assets are held for use in future housing assistance payments.

NOTE 4 - CASH:

At November 30, 2010, the carrying amount of **HATPR**'s cash deposits was \$-0- and the cumulative bank balance was \$-0-.

HATPR's available bank balance is covered by federal depository insurance and collateral held by the pledging institutions' agent in **HATPR**'s name. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of such pledged securities of federal deposit insurance must equal or exceed the amount on deposit with the fiscal agent. These securities are held by the fiscal agent bank in the name of **HATPR**.

Custodial credit risk is the risk that, in the event of a failure by the financial institution, **HATPR**'s deposits may not be returned to it. **HATPR** has no deposit policy for custodial credit risk; however, none of **HATPR**'s bank balances were exposed to custodial credit risk, since the pledged securities were in the joint name of **HATPR** and the financial institution.

Louisiana state law allows for the investment of excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana, or any other federally insured investment. State law also requires that all deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by **HATPR** or with an unaffiliated bank or trust company for the account of **HATPR**.

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - CONCENTRATION OF CREDIT RISK:

HATPR receives all of its revenues from the Department of Housing and Urban Development (HUD). If the amount of revenues received from HUD, falls below contract levels, **HATPR'S** operating results could be adversely affected.

NOTE 6 - CONTINGENCIES:

HATPR is subject to possible examinations by regulatory agencies who determine compliance with laws and regulations governing grants provided to **HATPR**. These examinations may result in required refunds by **HATPR** to the agencies and/or program beneficiaries.

NOTE 7 - COMPENSATED ABSENCES PAYABLE:

Analysis of compensated absences payable follows:

<u>Balance</u> <u>January 1, 2010</u>	<u>Addition</u>	<u>Retirement</u>	<u>Balance</u> <u>November 30, 2010</u>
\$ <u>1,600</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>1,600</u>

NOTE 8 - PER DIEM TO BOARD MEMBERS:

For the eleven months ended November 30, 2010 no board member received per diem in his or her capacity as commissioner in connection with the management of **HATPR**.

NOTE 9 - GRANT RECEIVABLE:

At November 30, 2010, grant receivable of \$2,917 represents grants due from HUD.

NOTE 10 - ABSORPTION OF PEARL RIVER VOUCHER PROGRAM:

HUD approved effective December 1, 2010, the absorption of this program with the Authority's Voucher Program.

SUPPLEMENTARY INFORMATION



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
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Waldo J. Moret, Jr., CPA
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Joseph A. Akanji, CPA

**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

To the Board of Commissioners
Housing Authority of the Town of Pearl River
Pearl River, Louisiana

Our report on our audit of the financial statements of **Housing Authority of the Town of Pearl River (HATPR)**, a component unit of Housing Authority of the City of Slidell, appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The supplementary information (Schedules II and III), which is required by HUD is prepared in accordance with accounting principles generally accepted in the United States of America and is not a required part of the financial statements, has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, except for the incomplete amounts for interfund activities and expenses, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

April 28, 2011

SCHEDULE I

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Program funded by the U.S. Department of Housing and Urban Development:		
<u>Subject to Annual Contribution Contracts</u> Housing Choice Voucher Program	14.871	<u>\$479,718</u>
Total expenditures of federal awards		<u><u>\$479,718</u></u>

NOTE: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grant activity of **HATPR** and is presented on an accrual basis of accounting.

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
FINANCIAL DATA SCHEDULE
HOUSING CHOICE VOUCHER PROGRAM
BALANCE SHEET
NOVEMBER 30, 2010**

<u>Line Item No.</u>	<u>Account Description</u>	<u>Total Program</u>
121	Amounts receivable - PHA Projects	\$ 2,917
144	Interprogram due from	774,318
150	Total current assets	<u>777,235</u>
190	Total assets	<u>\$777,235</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
FINANCIAL DATA SCHEDULE
HOUSING CHOICE VOUCHER PROGRAM
BALANCE SHEET, CONTINUED
NOVEMBER 30, 2010**

<u>Line Item No.</u>	<u>Account Description</u>	<u>Total Program</u>
312	Amounts payable ≤ 90 days	\$ 338
347	Interprogram due to	<u>807,582</u>
310	Total current liabilities	<u>807,920</u>
354	Accrued compensated absences - non-current	<u>1,600</u>
350	Total non-current liabilities	<u>1,600</u>
300	Total liabilities	<u>809,520</u>

See Independent Auditors' Report on Supplementary Information.

SCHEDULE II

Page 3 of 3

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
FINANCIAL DATA SCHEDULE.
HOUSING CHOICE VOUCHER PROGRAM
BALANCE SHEET, CONTINUED
NOVEMBER 30, 2010**

<u>Line Item No.</u>	<u>Account Description</u>	<u>Total Program</u>
511.1	Restricted net assets	<u>\$ 12,945</u>
512.1	Unrestricted net assets (deficit)	<u>(45,230)</u>
513	Total net assets (deficit)	<u>(32,285)</u>
600	Total liabilities and equity/net assets (deficit)	<u>\$777,235</u>

See Independent Auditors' Report on Supplementary Information.

SCHEDULE III

Page 1 of 3

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
FINANCIAL DATA SCHEDULE
HOUSING CHOICE VOUCHER PROGRAM
STATEMENT OF INCOME AND EXPENSES
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

<u>Line Item No.</u>	<u>Account Description</u>	<u>Total Program</u>
70600-010	Housing assistance payments	\$433,189
70600-020	Ongoing administrative fee earned	<u>46,529</u>
70000	Total revenue	<u>479,718</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
FINANCIAL DATA SCHEDULE
HOUSING CHOICE VOUCHER PROGRAM
STATEMENT OF INCOME AND EXPENSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010

<u>Line Item No.</u>	<u>Account Description</u>	<u>Total Program</u>
91100	Administrative salaries	\$ 15,745
91200	Auditing fees	10,015
91500	Employee benefit contributions-administrative	4,389
91600	Office expense	7,619
91800	Travel	1,462
91900	Other	<u>4,369</u>
91000	Total operating - administrative	<u>43,599</u>
93100	Water	55
93200	Electricity	357
93800	Other utility expense	<u>50</u>
93000	Total utilities	<u>462</u>
95300	Protective services - other	<u>15</u>
95000	Total protective services	<u>15</u>
96110	Property insurance	1,251
96120	Liability insurance	478
96130	Workmen's compensation	<u>224</u>
96100	Total insurance premium	<u>1,953</u>
96200	Other general expenses	<u>2,042</u>
96000	Total other general expenses	<u>2,042</u>
96900	Total operating expenses	<u>48,071</u>
97000	Excess of operating revenues over operating expenses	<u>431,647</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
FINANCIAL DATA SCHEDULE
HOUSING CHOICE VOUCHER PROGRAM
STATEMENT OF INCOME AND EXPENSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

<u>Line Item No.</u>	<u>Account Description</u>	<u>Total Program</u>
	Other Expenses:	
97300	Housing Assistance Payments	<u>\$463,659</u>
90000	Total expenses	<u>511,730</u>
10000	Excess (deficiency) of total revenues over (under) total expenses	<u>\$(32,012)</u>
11030	Beginning Equity	<u>\$ 8,244</u>
11040	Prior period adjustments, equity transfers, and correction of errors	<u>(8,517)</u>
11030	Beginning equity, as adjusted	<u>\$ 273</u>
11180	Housing assistance payments equity	<u>\$ 12,945</u>
11190	Unit Months Available	<u>840</u>
11210	Number of Unit Months Leased	<u>768</u>

See Independent Auditors' Report on Supplementary Information.



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Housing Authority of the Town of Pearl River
Pearl River, Louisiana

We have audited the financial statements of **Housing Authority of the Town of Pearl River (HATPR)**, a component unit of Housing Authority of the City of Slidell, as of and for the eleven months ended November 30, 2010, and have issued our report thereon dated April 28, 2011. Except for our inability to satisfy ourselves as to the classification and completeness of **HATPR's** statements of net deficit, revenues, expenses and changes in fund net deficit and cash flows, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **HATPR's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of **HATPR's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **HATPR's** internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies, significant deficiencies and material weaknesses. However, as discussed in the following paragraph, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control Over Financial Reporting, Continued

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A significant deficiency is a deficiency or combination of control deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Summary Schedule of Findings and Responses as items 2010-01 and 2010-03 to be significant deficiencies in internal control over financial reporting.

A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by HATPR on a timely basis.

We did not identify any deficiency in internal control over financial reporting that we consider to be a material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HATPR's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Summary Schedule of Findings and Responses as item 2010-02.

INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Compliance and Other Matters, Continued

HATPR's response to the findings identified in our audit is described in the accompanying Summary Schedule of Findings and Responses under the caption "Management's Response" or "Current Status," as applicable. We did not audit HATPR's response and accordingly express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, the United States Department of Housing and Urban Development and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

April 28, 2011

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Qualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None Noted
• Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control Over Major Programs:	
• Material weakness(es) identified?	N/A*
• Significant deficiency(ies) identified?	N/A*
Type of auditors' report issued on compliance for major programs:	N/A*
Any audit findings disclosed that are required to be reported in accordance with sections 510 (a) of Circular A-133	N/A*

* Not applicable

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

Section I - Summary of Auditors' Results, Continued

Identification of major programs:

CFDA NUMBER

NAME OF FEDERAL
PROGRAM OR CLUSTER

N/A*

Dollar threshold used to distinguish
between type A and type B programs:

N/A*

Auditee qualified as low-risk auditee?

N/A*

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010

Section II - Financial Statement Findings and Responses

Reference Number

2010-01

Federal Program

Housing Choice Voucher Program (see Schedule of Expenditures of Federal Awards).

Criteria

Management of **HATPR** is responsible for the implementation of a design and operation of internal control over financial statements preparation and reporting.

Condition

Currently, **HATPR** uses the services of a fee accountant to augment its finance department staff. In order to ensure the effective recordation, processing, preparation and submission of financial statements and footnotes in accordance with accounting principles generally accepted in the United States of America, **HATPR** should design and formalize its financial transaction and reporting processes.

Further, **HATPR** currently uses the "TENMAST" software in the accumulation, processing and generation of internal financial statements. The completeness of its conversion to the "TENMAST" software system should be evaluated and resolved.

Questioned Costs

None.

Context

The federal award amount expended was \$479,718 for the eleven months ended November 30, 2010.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

Section II - Financial Statement Findings and Responses, Continued

Reference Number, Continued

2010-01

Effect or Potential Effect

Completeness of financial statements generated from the "TENMAST" software.

Cause

Size of HATPR's operation coupled with the absence of a formalized policy for the operation of internal control over financial reporting.

Recommendation

Management should develop and formalize policy and procedures aimed at the design and operation of internal control over financial statement preparation and reporting.

Further, the financial information generated by the "TENMAST" system should be reviewed for completeness and accuracy.

Management's Response and Planned Corrective Action

Management concurs with this recommendation. We have subsequent to this audit developed a financial management policies and procedures manual aimed at strengthening financial internal controls and reporting. The Board is scheduled to approve the manual in June, 2011. It will be updated as needed.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

Section II - Financial Statement Findings and Responses, Continued

Reference Number

2010-02

Federal Program

Housing Choice Voucher Program (see Schedule of Expenditures of Federal Awards).

Criteria

PHA's are required to submit HAP and leasing information using Form HUD 52681-B and the "VMS".

Condition

For our selected test month of November 2010, we noted that the "VMS" reporting preparation process was performed on a manual basis. Currently, that process provides opportunities for errors as the level of detail undertaken by HATPR in isolating and identifying current versus prior month adjustments to reconcile to the HAP register, regular versus DHAP etc., is very labor intense.

We were unable to verify the completeness of the information provided for the November 2010 submission to the related general ledger amount and supporting documents.

Questioned Costs

None.

Context

Total federal award for Housing Choice Voucher Program was \$479,718 for the eleven months ended November 30, 2010.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

Section II - Financial Statement Findings and Responses, Continued

Reference Number, Continued

2010-02

Effect or Potential Effect

Non-compliance with the requirements of 24 CFR.

Cause

Lack of a complete computerized system to ensure the completeness in the "VMS" reporting.

Recommendation

We recommend that management explore and consult with its software provider on resources available to generate the required data efficiently.

Management's Response and Planned Corrective Action

Management concurs with this recommendation. Using the TenMast's report writing option, we have developed a report whereby data required for VMS reporting can be taken directly from the database, reducing the opportunity for human error. Since January, 2011, we developed the data in two reporting tracks with the actual implementation starting with the April, 2011 VMS.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

Section II - Financial Statement Findings and Responses, Continued

Reference Number

2010-03

Federal Program

Housing Choice Voucher Program (see Schedule of Expenditures of Federal Awards).

Criteria

Management of HATPR is responsible for the implementation of a design and operation of internal control over financial statements preparation and reporting.

Condition

Currently all financial transactions (cash receipts and disbursements) for HATPR are performed through the operating bank account of the Authority. Because of this arrangement, interfund out of balance and the completeness of its general ledger impacts the completeness of HATPR's financial statements.

Questioned Costs

None.

Context

The federal award amount expended was \$479,718 for the eleven months ended November 30, 2010.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

Section II - Financial Statement Findings and Responses, Continued

Reference Number, Continued

2010-03

Effect or Potential Effect

Completeness of financial statements generated from the "TENMAST" software.

Cause

Size of HATPR's operation coupled with the absence of a formalized policy for the operation of internal control over financial reporting.

Recommendation

Management should develop and formalize policy and procedures aimed at the design and operation of internal control over financial statement preparation and reporting.

Further, the financial information generated by the "TENMAST" system should be reviewed for completeness and accuracy.

Management's Response and Planned Correction Action

Management has discontinued the practice of using the operating account for all cash, receipts and disbursements. HAP disbursements go directly into the voucher bank account. Additionally, the Board of Commissioners have adopted Management's allocation plan, making it feasible to properly charged operating costs to the Housing Choice Program. Consequently, the operating fund will charge voucher funds on a monthly basis, reducing the chance for interfund out of balance conditions.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

Section III - Federal Award Findings and Questioned Costs

No federal award findings were reported for the eleven months ended November 30, 2010.

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010

Section IV Status of Prior Year's Findings and Responses

Reference Number

2009-01

Condition

Our review of the general ledger generated by **HATPR's** TENMAST software revealed the following significant conditions:

- o The December 31, 2009 general ledger for the Voucher Program reflected the effect of prior year's income and expense activities in the year to date (cumulative) balance column. Because the temporary accounts have not been closed to the permanent accounts, current years transactions had to be isolated in order to generate the income and expense activities for the year ended December 31, 2009.
- o Also, the general ledger for the Voucher Program lacked any recorded revenue activity for grants received.
- o Several significant general ledger accounts such as cash, interfund activity and payables reflected activity levels contrary to the operating level of **HATPR**. For instance cash balance was overdrawn by \$1,315,409 at December 31, 2009. However, the bank statement reflected a zero balance.
- o The Voucher Program general ledger did not reflect the effect of expenses such as payroll and related benefits and other major operating expenses. Currently, all expenses are paid through the operating account for **HATPR** by the Authority with no allocation made for the shared and other program expenses paid in the records of the beneficiary program prior to the effect of audit adjustments.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

Section IV Status of Prior Year's Findings and Responses, Continued

Reference Number, Continued

2009-01

Recommendation

Management should revisit with its current general ledger system and plan for its complete conversion. In addition, all required monthly transactions should be recorded in the general ledger system to include the allocation and recordation in the respective general ledger shared and paid expenses.

Current Status

Unresolved. See finding reference numbers 2010-01 ad 2010-03.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

Section IV Status of Prior Year's Findings and Responses, Continued

Reference Numbers

2009-02, 2008-01, 2007-01 and 2006-01

Condition

Considering the size of **HATPR**, the important elements of internal control and segregation of duties can not always be achieved to ensure adequate protection and safeguarding of **HATPR's** assets.

Recommendation

We recommend management's continued oversight in all key internal control areas.

Current Status

Partially resolved.

Management concurs with this recommendation. We have subsequent to this audit developed the financial management policies and procedures manual aimed at addressing the issues of strengthening internal controls as well as ensuring adequate protection and safeguarding of assets. Additionally, the Board has established a Finance Committee, charged with the task of monitoring the accounting staff's progress in resolving outstanding audit findings.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

Section IV Status of Prior Year's Findings and Responses, Continued

Reference Numbers

2009-03, 2008-02, 2007-02 and 2006-02

Condition

Based on the requirements of the statement of auditing standards, HATPR's current in-house finance department staff does not possess the level of technical capacity required to effectively record, process, report and prepare financial statements and footnote disclosures reliably in accordance with accounting principles generally accepted in the United States of America. HATPR currently uses the "TENMAST" software in the accumulation, processing and generation of internal financial statements.

Recommendation

We recommend that management continues to bridge the technical gap.

Current Status

Partially resolved.

Management has modified the contract of the fee accountant in order to directly address the technical needs of the Authority.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

Section IV - Status of Prior Year's Findings and Responses, Continued

Reference Numbers

2007-03, 2006-03, 2006-05, 2005-03 and 2005-01

Federal Program

Housing Choice Voucher Program (see Schedule of Expenditures of Federal Awards).

Condition

As a result of the impact of hurricane Katrina, certain documents such as cancelled checks, invoices, landlord payment registers and program participant file information, etc. (from inception through August 2005), were not available. **HATPR** was able to maintain its general ledger and other program data as its computer system is managed by a service provider located outside of Louisiana.

Recommendation

We recommend that management evaluate its current disaster recovery plan with an aim geared towards ensuring the completeness of its records retention in the event of a disaster. The evaluation should include offsite storage opportunities by **HATPR's** financial and program software processing service provider. Also, management should continue the reconstruction of its program and financial records.

Current Status

Partially resolved.

Currently, we back up computer files on a daily basis. Additionally, a back of all files are maintained at an offsite location.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2010**

Section IV - Status of Prior Year's Findings and Responses, Continued

Reference Number

2006-06

Federal Program

Housing Choice Voucher Program (see Schedule of Expenditures of Federal Awards).

Condition

In two (2) instances, we noted the lack of evidence to support an independent third party verification of income or documentation to support the challenges encountered in securing an independent third party verification. Based on discussions with management, we noted that a combination of HATPR's inability to access HUD's REAC "EIV" system and the Social Security Administration's policy of non-response to such income verification requests, affected HATPR's ability to secure an "EIV" report or to perform an independent verification of tenant's income.

Recommendation

We recommend that management continue in its reconstruction effort. Also, all required documents should be obtained and/or documentation supporting the absence of such should be placed in the respective files.

Current Status

Partially resolved.

We concur with this finding. Management performs a quarterly review, taking a sample of tenant's files to ensure the support documentation is complete.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2009**

Section IV - Status of Prior Year's Findings and Responses, Continued

Reference Number

2006-07

Federal Program

Housing Choice Voucher Program (see Schedule of Expenditures of Federal Awards).

Condition

As a result of the destruction of HATPR's waiting list by the impact of hurricane Katrina, we were unable to verify the selection of new participants to the housing program.

Recommendation

Management should develop a new waiting list.

Current Status

Partially resolved.

As a result of this finding, we opened and developed a new waiting list in 2009.

**HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA**

EXIT CONFERENCE

The financial statements and all related reports were discussed at various dates to include an exit conference held on May 20, 2011 and management is in agreement. Those persons who participated in the conference are as follows:

HOUSING AUTHORITY OF THE TOWN OF PEARL RIVER

Ms. Shelia Danzey -- Interim Executive Director

Ms. Susan Vaughn, CPA -- Fee Accountant

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Paul K. Andoh, Sr., CPA, MBA, CGFM -- Partner



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Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

**INDEPENDENT AUDITORS' REPORT ON
OTHER MATTERS RELATED TO INTERNAL CONTROL**

**Ms. Shelia J. Danzey, Interim Executive Director
Housing Authority of the Town of Pearl River**

In planning and performing our audit of the financial statements of **Housing Authority of the Town of Pearl River (HATPR)**, a component unit of Housing Authority of the City of Slidell, as of and for the eleven months ended November 30, 2010 in accordance with auditing standards generally accepted in the United States of America, we considered **HATPR's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of **HATPR's** internal control. Accordingly, we do not express such an opinion on the effectiveness of **HATPR's** internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal control and operating efficiency. Also, we reviewed the status of prior year's other matters. We previously reported on **HATPR's** internal control in our report dated April 28, 2011. This letter does not affect our report dated April 28, 2011, on **HATPR's** internal control or its financial statements.

We will review the status of these matters during our next audit engagement. We have already discussed these matters with **HATPR's** personnel, and we will be pleased to discuss these matters in further detail at your convenience, and to perform any additional study of those matters.

**INDEPENDENT AUDITORS' REPORT ON
OTHER MATTERS RELATED TO INTERNAL CONTROL
(CONTINUED)**

*Current Year's Other Matters
2010*

The following is a listing of all current year's other matters:

Condition

No monthly reconciliation is performed on the bank account for **HATPR's** Voucher Program. Based on our review, we noted that on a monthly basis, all deposits made into the program's bank account are transferred to an operating account for the Housing Authority of the City of Slidell (managing agent). However, no timely recordation to the general ledger is performed to facilitate the appropriate general ledger entries.

However, at November 30, 2010, the general ledger reflected journal entries to reflect the referenced activities.

Recommendation

Management should ensure the monthly recordation of all financial transactions.

Management's Response

Management has subsequent to the audit developed accounting procedures that include month end tasks, including bank reconciliations for all bank accounts, recording cash receipts and tax deposits in order for the general ledger to reflect all financial transactions.

**INDEPENDENT AUDITORS' REPORT ON
OTHER MATTERS RELATED TO INTERNAL CONTROL
(CONTINUED)**

*Current Year's Other Matters, Continued
2010*

Condition

Currently, HATPR does not have in place a formalized system to ensure the monthly reconciliation of all significant general ledger accounts such as interfund due to and from, housing assistance payments, payroll, grant revenue, etc.

Recommendation

Management should evaluate its current financial accounting practices to ensure the incorporation of processes that maintain the integrity of its monthly financial reporting processes.

Management's Response

Management has subsequent to the audit developed accounting procedures that include a checklist of all general ledger accounts that must be reviewed and reconciled on a monthly basis.

**INDEPENDENT AUDITORS' REPORT ON
OTHER MATTERS RELATED TO INTERNAL CONTROL
(CONTINUED)**

*Status of Prior Year's Other Matters
2009 and Prior*

The following is a summary status of prior year's other matters.

Condition

Currently, HATPR does not have in place a system to ensure the periodic reconciliation of all significant general ledger accounts such as interfund due to and from, housing assistance payments, payroll, grant revenue, etc.

Recommendation

Management should evaluate its current financial accounting practices to ensure the incorporation of processes that maintain the integrity of its financial reporting processes.

Current Status

Unresolved. See current year's section of this report.

Condition

No monthly reconciliation is performed on the bank account for HATPR's Voucher Program. Based on our review, we noted that on a monthly basis, all deposits made into the program's bank account are transferred to an operating account for the Housing Authority of the City of Slidell (managing agent). However, no recordation to the general ledger or a reconciliation of the bank account is performed to facilitate the appropriate general ledger entries.

Recommendation

Management should ensure the monthly reconciliation of its bank accounts to include the recordation of all transactions.

Current Status

Unresolved. See current year's section of this report.

**INDEPENDENT AUDITORS' REPORT ON
OTHER MATTERS RELATED TO INTERNAL CONTROL
(CONTINUED)**

*Status of Prior Year's Other Matters
2009 and Prior, Continued*

Condition

Currently, the general ledger and related reports generated by the "TENMAST" software system provide cumulative income and expense amounts instead of the data for the current period.

Recommendation

HATPR should consult with its software provider to address any system processing elections to facilitate the periodic closing of all temporary accounts at year end.

Current Status

Resolved.

Condition

The housing assistance payments amounts as reflected in HATPR's subsidiary ledger ("HAP register") for the year ended December 31, 2007, differed from the amount on the general ledger control account.

Recommendation

On a monthly basis the "HAP" register generated by the Voucher Program department, should be reconciled to the general ledger control account. Any differences should be reconciled and adjusted, if necessary.

Current Status

Unresolved. See current year's section of this report.

**INDEPENDENT AUDITORS' REPORT ON
OTHER MATTERS RELATED TO INTERNAL CONTROL
(CONTINUED)**

*Status of Prior Year's Other Matters, Continued
2008 and Prior, Continued*

Condition

As a result of the destruction of its records, HATPR was unable to prepare formal bank account reconciliations for the "zero" balance account maintained for the Housing Choice Voucher Program for the 2006 year.

Recommendation

All bank accounts should be reconciled monthly and the reconciliation submitted to management of HATPR for review and/or approval.

Current Status

Unresolved. See current year's section of this report.

**INDEPENDENT AUDITORS' REPORT ON
OTHER MATTERS RELATED TO INTERNAL CONTROL
(CONTINUED)**

HATPR's response to the other matters identified in our report is described under the caption "Management's Response" or "Current Status" as applicable. We did not audit HATPR's response and accordingly express no opinion on it.

As always, we appreciate the courtesies extended to us by you and your staff during our audit. Should you have any questions and/or require further detail, please do not hesitate to call.

This report is intended solely for the information and use of the Board of Commissioners, management, United States Department of Housing and Urban Development, Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, the report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

April 28, 2011